

Allied Electronics Corporation Limited
(Registration number 1947/024583/06)
(Incorporated in the Republic of South Africa)
Share code: AEL ISIN: ZAE000191342
("Altron" or "the Company")

DISPOSAL BY ALTRON OF ITS INTEREST IN THE POWERTECH TRANSFORMERS GROUP TO A CONSORTIUM COMPRISING POWER MATLA PROPRIETARY LIMITED ("POWER MATLA"), POWER MATLA TRANSFORMERS PROPRIETARY LIMITED AND SGB-SMIT GmbH ("SGB-SMIT") (COLLECTIVELY REFERRED TO AS "THE CONSORTIUM")

1. INTRODUCTION

Shareholders are advised that Altron, through various of its subsidiaries ("the Altron group"), has entered into a Share Sale Agreement on 15 November 2017 ("the Agreement") with the Consortium, whereby it will dispose of the Altron group's 80% interest and all its financing in Powertech Transformers Proprietary Limited ("Powertech Transformers") to the Consortium on terms and conditions more fully set out in the Agreement and as summarised below ("the Transaction"). Power Matla currently holds a 17.5% interest in Powertech Transformers.

The salient terms and conditions of the Transaction are as follows:

- on the closing date of the Transaction, SGB-Smit will advance R250 million to Powertech Transformers, who will in turn repay the amount towards the debt provided to Powertech Transformers by the Altron group;
- the members of the Consortium will purchase the Altron group's 80% interest and the balance of financing provided to Powertech Transformers as at the closing date for a nominal consideration;
- any cash in Powertech Transformers at the closing date will be repaid to the Altron group to the extent of any financing provided to Powertech Transformers by the Altron group from 1 October 2017;
- the Altron group may provide Powertech Transformers with a new three-year, R100 million loan facility on commercial terms and secured against Powertech Transformers' properties with effect from the closing date;
- standard warranties and indemnities associated with transactions of this nature have been provided for in the Agreement; and
- the Transaction will be subject to certain conditions precedent more fully set out in this announcement.

2. NATURE OF BUSINESS OF POWERTECH TRANSFORMERS

Powertech Transformers has over 60 years' experience in, *inter alia*, the design, manufacturing, testing and commissioning of a full range of power and distribution transformers, including three-phase and single-phase units, auto-transformers, arc-furnace, locomotive and traction transformers, miniature sub-stations, NECRT's as well as shunt reactors. Powertech Transformers has also entered into the renewable power market.

Power and distribution transformers for the African continent are manufactured by Powertech Transformers in its factories in Pretoria and Cape Town. The power transformer factory in Pretoria West is amongst the largest transformer manufacturing plants within the Southern Hemisphere.

3. RATIONALE FOR THE TRANSACTION

As previously communicated to shareholders, following strategic review sessions held at both Altron and Powertech, the Powertech board, in conjunction with the Altron board, has determined that the Powertech Transformers group is no longer a core asset for the Altron group and accordingly should be disposed of to a third party who will be more suited to further develop this business. This will enable Altron to focus on its core operations within the ICT sector going forward.

4. EFFECTIVE DATE OF THE TRANSACTION

The Transaction will become effective following the fulfilment of the last of the conditions precedent set out below and as detailed in the Agreement.

5. CONSIDERATION

The consideration to be received by the Altron group as a result of the Transaction is R250 million, payable in cash on the closing date by Powertech Transformers from the R250 million loan advanced to it by SGB-Smit.

The Agreement makes provision for adjustments following the closing date should the effective date accounts reflect working capital at the close outside a range relative to an agreed target level based on the forecast of Powertech Transformers management.

6. NET ASSET VALUE OF AND PROFITS ATTRIBUTABLE TO POWERTECH TRANSFORMERS

The value of the net assets to be disposed of as at 31 August 2017 (being the date of the most recent published financial results of Altron) amounted to R110 million.

For the six months ended 31 August 2017, Powertech Transformers generated revenue of R522 million, EBITDA loss of R51 million and a loss after tax of R69 million.

7. CONDITIONS PRECEDENT TO THE TRANSACTION

The Transaction is subject to the fulfilment or waiver (as the case may be) of, *inter alia*, the following conditions precedent:

- the successful conclusion of service contracts with key staff and key management of the Powertech Transformers group, as appropriate;
- the granting, giving and/or passing of any regulatory approvals which may be required in relation to the Transaction to the satisfaction of the parties;
- the consent for the change of control of Powertech Transformers by its material suppliers and customers;
- that no material adverse change occurs between the signature date of the Agreement and the closing date;
- the registration of the Transaction by the B-BBEE Commission and acceptance that Powertech Transformers is majority black-owned under the B-BBEE Codes of Good Practice;
- the finalisation of various agreements between the Consortium members; and
- unconditional approval of all terms and conditions of the Transaction by the boards of Altron, SGB-Smit and Power Matla.

8. APPLICATION OF THE CONSIDERATION

The consideration will be used to reduce the overall Altron group debt.

9. CATEGORISATION OF THE TRANSACTION AND SHAREHOLDER APPROVAL

The Transaction is classified as a Category 2 transaction in terms of Section 9.15 of the JSE Listings Requirements and accordingly will not require Altron shareholder approval.

By order of the board of Altron.

Johannesburg
15 November 2017

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